

Colorado Economic Development Commission (EDC)
Enterprise Zone Contribution Tax Credit Policies

This document outlines the policies and requirements set by Colorado Revised Statute 39-30-103.5, and the Colorado Economic Development Commission (authorized by C.R.S. 39-30-103.5) for the Enterprise Zone (EZ) Contribution Tax Credit.

Contribution Tax Credit Policies and Statutory Requirements

I. **Per project tax credit limitation**

Projects are held to a \$750,000 tax credit limit per project, per year. It is the responsibility of the project and local zone administrator to monitor contributions and tax credits responsibly.

II. **Project Critical Review**

Projects that reach \$1,000,000 in cumulative tax credits will undergo a critical review of what has been accomplished. The EDC will either request a report or request that a representative of the project attend an EDC meeting to present on project accomplishments. During a critical review, a project can make a request to continue as a Contribution Project, and based on project performance and future plans, the EDC can approve or deny this request.

III. **Projects**

An organization can propose the following as an "EZ Contribution Project":

1. **Entire Organization**

An organization can propose the approval of an entire organization for "Contribution Project status". In this case all donations to the organization are eligible for the tax credit as long as the "per project" and "per individual donor" limitations are upheld. This means an organization can use donated dollars for general operating expenditures (if approved this way).

2. **Specific Program or Project within an Organization**

An organization can propose the approval of a specific project with specific purposes under the direction of the organization. In this case only donations to the specific "approved purposes" as outlined in the proposal can receive a tax credit. The organization is responsible to monitor where contributions are used and only give a tax credit (DR75 form) for donations used towards approved purposes. The local zone administrator can require "proof" by requesting financial statements.

IV. **Types of projects allowed and criteria for each type**

In general, a project must have as one of its main purposes creating or preserving an environment that will help attract, expand, or retain employers in the EZ. Direct employment of the sponsoring non-profit organization will not be used as the sole basis to qualify a project, nor will project construction employment. The commission shall approve any program, project, or organization that it determines is eligible under the requirements of this section or is essential to the mission of the EZ upon a majority vote.

Statute specifically lists 3 types of projects; Homeless Assistance, Economic Development and Community Development projects. In an effort to maintain a consistent and fair program these 3 statutory types of projects have been further defined by the EDC:

a. **Homeless Assistance Projects**

A homeless shelter project must have all 3 components listed below:

- i. Assist the homeless.
- ii. Job readiness or training.
- iii. Job referral network or partner with local workforce center.

b. **Economic Development Projects**

Economic Development project must improve economic conditions in the EZ. Here are several sub-categories of the Economic Development statutory category:

i. **Business assistance**

Examples include: management training and counseling, incubators, finance funds, feasibility studies, etc. Details must be included in the proposal.

ii. **Job training programs**

Job training projects must train a workforce and fit with a plan that has been adopted and/or approved by the local EZ Administrator.

iii. **Infrastructure projects**

1. Infrastructure projects must demonstrate that only 50% of donations come from entities which have the potential for direct benefit (For example: A developer donates money to a project, or donates infrastructure to a public entity, that he/she was hired to build, required to build or benefitted from having constructed.). The remaining 50% of donations must come from entities of no benefit.
2. Infrastructure must be publicly owned or turned over to a public entity upon completion of project.
3. The public entity must support the project.
4. The local EZ administrator must support the project.
5. Examples of infrastructure include water, sewer, transportation, telecommunications (can't be owned by a private corp. i.e. Qwest, Comcast, etc.), streetscaping, etc.

iv. **Marketing**

For economic, business and business district development. This type of project may be used by a public/private non-profit economic development organization or similar organization, and is used to raise money on an on-going basis to support a wide range of economic development activities. Many organizations who act as EZ administrator are approved projects, and use contributions to be able to have a part-time or full-time position that can oversee the EZ.

c. **Community Development Projects**

Projects under the broadly defined "Community Development" statutory project type must:

1. Contribute indirectly to job creation and job preservation in the EZ. Implement the adopted economic development plan for the EZ.
2. Must have a primary goal or mission that works to bring in outside dollars to the area. This means that the project must have a central theme of: tourism, main street revitalization, business attraction, smart growth, transportation issues, or economic development.

Many types of project may qualify under Community Development. Here are 2 specific sub-categories of the Community Development statutory category:

i. **Higher Education**

Under the Community Development category a higher education project may be considered if a project demonstrates a direct link to economic development. Higher education projects will only be approved for capital campaigns for buildings and equipment; and for certain job training projects. Academic, scholarship and endowment programs are not allowed.

ii. **Health Care Facilities**

Projects must convincingly make the argument that the health care facility that is identified is essential to maintaining the economic viability of the community

and is directly related to job creation, job preservation and/or economic development.

d. **Do Not Meet Statutory Intent**

The EDC has determined that in general the following types of projects do not meet the statutory intent of the Contribution Tax Credit.

- i. Humane Societies / Animal Shelters. These organizations' tie to economic development is generally too indirect.
- ii. K-12 Public/Private/Charter Schools or their foundations. Generally these types of organizations receive money through the Long Bill. It is not believed to be the legislature's intent to provide additional funding with the Contribution Tax Credit.
- iii. Senior Centers. Senior Center and Retirement Community projects' tie to economic development is generally too indirect.